

CHAPTER 4

PROBLEMS OF SELECTED TRANSPORT AGENCIES

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4.0 INTRODUCTION

The road transport in India can broadly be classified into two types : (a) Passenger Transport and (b) Goods Transport. The passenger transport, by and large in all the states are being run and managed by the respective State Governments. Whereas, the goods transport is managed by private truck operators. Majority of the transporters are individuals. Hence, they face various problems in their day to day operations. The problems experienced by the selected transport agencies in Satara city are common problems of all the transporters in India. An attempt is made here to understand the environment in which the transport business is being carried out.

4.1 BUSINESS ENVIRONMENT

The transportation system works in a supra-environment comprising of economic, political, legal, demographic, competitive, geographical, ecological, physical, technological and international environment. Changes in one or more above mentioned environments significantly influence the working of transportation system. The impact of these factors on transportation has been discussed below.

4.1.1 Economic Environment : Economic environment comprises of economic conditions, Government policies, monetary and fiscal policies. These influence all the business activities, especially in a developing country like India. The low income of an individual creates less demand for a product thereby reducing the purchasing power of the customer. This further influences per capita consumption and has a bearing on national economy. In fact, in the inflationary conditions prevailing in our country has resulted into recession in almost all industries and transportation is not an exception to it.

4.1.2 Political Environment : Any business cannot run efficiently without a political backing. The political environment may comprise of internal politics in a business organisation as well as in the external influences from Central Govt., State Govt., Local Organisations and competitors. Political instability especially at the Central level results in chaotic conditions, which prevailed in the last three to four years in India. Even person to person politics results in malfunctioning of the organisation. Transport business as such works in uncertain conditions in the market. Hence the transport agencies have to be very careful in understanding the political environment to survive in the market.

4.1.3 Legal Environment : This refers to the laws and rules formulated by Govt. of India as well as the State Govt. and the

periodic amendments made to the existing acts. With a growing awareness and concern for the environment pollution, various laws have been enforced by both types of Govt. As far as the transport business is concerned, the agency owners should be aware of various laws of air pollution and should take precautionary measures to comply the same. All these encatments have put more burden on to the transport agencies all over India.

4.1.4 Demographic Environment : Various demographic factors like agewise and sexwise composition, familiy size, population growth rate, economic satisfaction of people, literacy level, education, caste, religion, etc., influence the transporation business to a greater extent.

4.1.5 Geographical Environment : Natural resources, locational aspects, climatic conditions, port facilities, topographical consideratins, road conditions play vital role in the development of transport business throughout the length and the breadth of the country. Heavy transporation is practically impossible in hilly and remote areas.

4.1.6 Competitive Environment : Survival of the fittest is the rule of nature and hence competition is practically present in almost all walks of life. In the growing age of competition and uncertainties, the transport business owners have to switch on

from the traditional rule of the thumb to the strategic and long term planning. The freight rates and timely delivery are the prime issues in the competition of transporty business. To survive in the competitive environment, the agencies should carry strengths, weaknesses, opportunity and threats (SWOT) analysis.

4.1.7 Physical Environment : Physical environment like location of raw materials and market places, type and nature of materials to be transported, industrial estates, types of industries, nature of business affect the tranport operations to a greater extent. If the major and ancilliary industries are located in the same industrial belt, the transportation requirement is bare minimum as compared to dispersely located industries.

4.1.8 Technological Environment : Technological considerations include innovation in products, product designs, specifications, tools and equipment modifications, etc. In todays competitive era, the technology is changing at much faster rate. Various kinds of vehicles have been devised based on fuel efficiency, saving in money and energy, better design of vehicles, better technology in the construction of roads have played a vital role in the upliftment of transportation system in India. The present Government's New Industrial Policy has encouraged many multinational automobile companies especially, American and Japanese, to set new units with Indian collaborations in India and abroad. This helped us get better technology at low price and thereby increasing not only the productivity but profitability as well.

4.1.9 International Environment : The international environment is responsible for the national development and economy in general and individual industry in particular. As stated earlier, the international affairs and policies decide the import, export and collaborations of any country. The simple example is the Gulf War, which has raised the prices of petroleum products in general and all commodities in particular almost in all the countries in the world. The liberalisation policy of present Govt. has cultivated good and harmonious international relations with the developing countries, which have led to around development of almost all industries in India and transportation is no exception.

4.2 INTERNAL PROBLEMS

In private transport sector, there are two types of problems, internal problems and external problems. The internal problems arise within the organisation. Such problems arise due to the internal management and inefficiency. The various types of internal problems experienced by the private transport agencies in Satara city are inumerated below.

4.2.1 Economical Problems : It is noticed by the researcher during his survey that most of the agencies in the city face the financial crisis, to meet its day-to-day as well as long term requirements. Out of the total agencies, 28.57 percent agencies have taken financial assistance from various financial institutions.

The institutions include Maharashtra State Finance Corporation, District Industrial Centres, banks, etc. It is lamented by the agency owners that these institutions have strict rules and regulations and the officers are non-cooperative. Besides due to changing Govt. policies many times they do not get the financial assistance due to credit squeeze. In addition, their interest rates are also very high.

To comply with their rules, regulations and conditions, the transport agencies have to spend their valuable time, money and energy. Therefore, the agency owners many times switch to other financial institutions like, co-operative banks, co-operative societies, money lenders and local pat-sansthas to fulfil their financial requirements. The owners further claimed that in these institutions they get quick response and comparatively better treatment.

4.2.2 Internal Competition : The present study revealed that 90 percent of the respondents face very strong internal competition in Satara city. It is observed that there is considerable difference in their freight rates and the actual freight rates charged to the clients. Generally, the freight rates charged are lower than the freight rates decided by the Transport Association. Thus, in order to capture more business either during the season or off-season, they seem to adopt unfair practices in their operations.

According to 62.5 percent agency owners, every private transport agency tries its best for its success in the business. They never think about the freight charged by the other agency for certain distance and the consignment load, they have their own rates. Hence, they encourage internal competition. This, in fact, according to others is threat to the existence of the transport business in Satara city and is a threat to their existence.

4.2.3 Lack of Organisation : The transport business mainly comprises of public sector and private sector. The public sector, which is dominating at the state level in passenger is highly organised, managed and controlled. Whereas, its counterpart, the private transport business, which is largely dominated in the transport of goods, is managed by a single owner or partnership or the group of individuals. By and large, except few, all are not professionally organised, managed and controlled. The major reason could be the nature of uncertain business and irregularity. This forces these agency to plan for very short time than to formulate long range plans.

4.2.4 Inadequate Place : Out of the selected transport agencies, 62.5 percent agency owners run their business by establishing the Head Office in their own house, who happen to be living for long time in Satara city itself. Whereas, the rest 37.5 percent agency owners are governed by persons outside Satara city. Such agencies do not have their own place/land for office and

godowns. Hence, they under any circumstances have to get a place for establishing offices, mostly at a prime location or in the market. These being business premises, they have to pay high deposits and monthly rents. Secondly, these being busy market places, they face severe problems of parking for loading and unloading consignments. On the other hand, those agencies which have their own premises/land are not in the market place, though they have abundant area for parking, hence do not get good business as regards their counterparts in the market place get.

4.2.5 Uncertainty & Lack of Security : It is well known that the Government of India through various rules and regulations, has provided security not only to the big industries but the small scale industries and their employees. Whereas, the transport sector seems to be totally neglected. Because of the seasonality in its nature of business, the transport operations are carried out only for 240 to 250 days through out the year. In addition to this, there is constant hanging sword of uncertainty of getting the consignments. This forces agencies to shut their operations either partially or fully by terminating the employees. Thus, every year they have to depend on new employees or continue few loyal and experienced employees and bear their expenses as overheads. The uncertainty in jobs force the employees to change the job frequently resulting in higher labour turnover. The frequent changes in the employees affects their business activities severely and reduces their goodwill in the market.

4.2.6 High Expenditure : According to the private transport agency owners, the ever rising prices of petroleum products, spare parts, rising inflation and living standards severely affect their profitability. Out of the total cost, majority of the expenses are covered by HSD and oil, repairs and maintenance, and salary of staff. Hence, they further claim, that at times they make losses and in the increasing inflation era, it is very difficult to survive. They are hopeful that the policies of the present Government may show them good and bright future.

4.2.7 Responsibility : The transport agency being the link between the purchaser and the seller has to play a crucial role in giving prompt services. He has the moral responsibility in carrying the consignments and goods from one destination to the other in the promised time safely. There is lot of risk element in transporting the goods. Many times the goods are delicate like glass, or explosives like petroleum products, hazardous and toxic chemicals or valuables like cars, three wheelers or two wheelers. The damages on account of theft, accidents, losses or any other reasons, though may not be due to deliberate acts of the transporter but the agency is responsible and liable to their clients. Any loss on account of this spoils the image and the goodwill of the transport agency in the market and results in lowering its business. As such, according to the terms of the conditions of the contract between the agency and the consigner, the former is not responsible for any loss or damage. But the agencies are careful.

4.2.8 Lack of Co-operation : As such, the whole transportation business rest on the co-operation and co-ordination among the transporters. But in Satara city, it is observed by the researcher that since there is cut throat and tough competition, rivalry and unhealthy business practices, there is hardly any element of co-operation and co-ordination between one transport agency and the other. As such in the world, nothing works without trust, and co-operation. Hence, the private transport agencies in Satara city should form a club or association, wherein frequent meeting should be conducted so as to solve any problems of the individual members and create harmonious inter-relationship among them.

4.3 EXTERNAL PROBLEMS

In addition to the internal problems, the private transport agencies face several following difficulties from the external conditions.

4.3.1 Uncertain Nature of Taxes : It is reported by all the private transport agency owners that various types of taxes imposed from time to time and their periodic revision, have been the major obstacles in the development of transport business. The State Government of Maharashtra collects money in the form of vehicle tax, professional tax, transportation tax, road tax, etc. But unfortunately, it does not provide any conveniences and essential facilities to the transportation. The general road conditions in the

state in general are not good and especially, of the national highways. The worst road conditions deteriorate the vehicles. This not only leads to greater wear and tear, lowering the life of vehicles but to higher repairs and maintenance expenses. Furthermore, this causes delay and inconvenience to the concern parties.

To quote, recently the Government has enforced Vehicle Tax of Rs. 1471 per three months and Goods Tax of Rs. 439. In all, the State Govt. collects Rs. 7640 tax per vehicle from the transporters. This approximately amounts to 16 percent of the total revenue.

4.3.2 Octroi and Other Taxes

Maharashtra is one of the few states in India which has octroi system. Considerable time is spent of the transporters in paying the octroi and entry tax at the Octroi Post especially, in big cities like Bombay, Pune, Kolhapur. To stop the octroi tax several mandays have been lost in past of the transport operators in number of strikes and protests. This led to loss of crores rupees in terms of damage, decay, and stoppage of industrial production in Maharashtra. In addition to this, the transport agency owners were frustrated of the extent of malpractices and corruption prevailing in the Govt. systems like, R. T. O., Octroi posts, Check Posts, Central Excise Posts, and traffic departments.

4.3.3 Spare Parts : All the transport agency owners reported that the poor road conditions lead to more wear and tear of vehicle parts. All parts have become so costly that they have give a second thought on its repairs or replacement. Besides, many spare parts are always in short supply and in dire need, they have to purchase at substantial higher prices in black market or go to nearby city. Thus, it is not only costly but time consuming and highly inconvenient. After paying high price also there is no guarantee of the quality of spare parts.

The repair centres and workshops in Satara city too are not equipped properly and not modern. For a major repairs or body building they have to take the vehicles to Bombay, Pune or Kolhapur.

4.3.4 Inadequate Compensation : According to the All India Motor Transport Congress, the General Insurance Company has to compensate the transport agency in the event of fire or loss due to accident. Almost in all the cases, the compensation paid by the General Insurance Company differs largely than the accident claim. In addition, there is significant delay in the settlement of accident claim. This causes inconvenience to the transport agency as well as they can not buy new vehicle due to paucity of hard cash with them. According the owners, the insurance officials many times are non-cooperative and at times, they have suspicion on the claimant and his integrity.

4.3.5 New Licence Policy : Majority of the vehicle owners, drivers and agency owners complained against the latest licence system implemented by Maharashtra Govt. The rules especially, pertaining to Heavy Motor licence. The minimum qualification stipulated by the Govt. is ten standard pass. This rule will affect many would-be drivers. Since most of the heavy vehicle drivers are hardly having more than fifth standard education.

The another rule which is of concern is that the heavy learning licence has to be renewed after first five years to get a permanant licence. As a result of these new rules, the new commers to the transport business namely, drivers will be restricted. This indirectly will increase the unemployment problem in the country.